

SEP 12 2001

DEPT. OF INSURANCE  
BY [Signature]STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of: ) Docket No. 01A-209-INS  
)  
) CONSENT ORDER  
**DELTA DENTAL PLAN OF ARIZONA, INC.,** )  
)  
NAIC #53597 )  
)  
**Respondent** )  
)  
\_\_\_\_\_ )

An Examiner for the Department of Insurance (the "Department") conducted a market conduct examination of Delta Dental Plan of Arizona, Inc. ("DDPAZ"). The Report of the Examination of the Market Conduct Affairs of DDPAZ alleges that DDPAZ has violated A.R.S. §§20-461, 20-462, 20-2535, 20-2536, and A.A.C. R20-6-801

DDPAZ wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

1. DDPAZ is authorized to transact business as a dental service corporation pursuant to a Certificate of Authority issued by the Director.

2. The Examiner was authorized by the Director to conduct a market conduct examination of DDPAZ. The on-site examination covered the time period from January 1, 1998 through June 30, 2000, and was concluded on September 28, 2000. Based on the findings the Examiner prepared the "Report of Examination of the Market Conduct Affairs of Delta Dental Plan of Arizona, Inc." dated September 28, 2000.

3. The purpose of this targeted examination was to determine whether the

1 Company had corrected the claim-paying and processing problems it had encountered  
2 during the time frame of the Examination. Also, the Examiner reviewed the Company's  
3 Appeals process. The Company had experienced claims-paying problems due to a  
4 computer conversion that led to a backlog of claims. The Company took the initiative  
5 and abandoned the system that triggered the backlog in its claims processing. The  
6 company succeeded with these efforts by the second quarter of 2000, as shown by the  
7 dramatic improvement in claims processing times during the second quarter of 2000.

8 4. The Examiner reviewed 55 formal appeal files, two informal reconsideration  
9 files and three grievance files out of an unknown population received during the time  
10 period of the examination and found as follows:

11 a. DDPAZ failed to acknowledge 14 formal appeal within five business  
12 days of receipt.

13 b. DDPAZ failed to resolve two formal appeals of denied claims within 60  
14 calendar days of receipt of the request.

15 c. DDPAZ failed to provide the criteria used and clinical reasons for the  
16 appeal decision in four formal appeal written responses.

17 d. DDPAZ failed in 25 formal appeal decision letters upholding the original  
18 denial to advise the member of the option to proceed to an external independent  
19 review.

20 e. DDPAZ failed in two informal reconsideration decision letters upholding  
21 the original denial of the option to proceed to an external independent review if the  
22 formal appeal is upheld.

23 5. The Examiner reviewed 147 of 394,798 State of Arizona Employee paid or  
24 denied claims and 193 of 1,036,728 other claims settled during the time period of the  
25 examination and found as follows:



1 a. DDPAZ failed to acknowledge 183 first party claimants within ten  
2 working days after receiving notice of a claim.

3 b. DDPAZ failed to notify 130 first party claimants of the acceptance or  
4 denial of the claim within 15 working days after receipt of an acceptable proof of loss.

5 c. DDPAZ failed to notify 130 first party claimants, of the reason why  
6 more time was needed to determine if the claim would be accepted or denied, within 15  
7 working days after receipt of an acceptable proof of loss.

8 d. DDPAZ failed to complete the investigation of 109 claims within 30  
9 days after notification of the claim.

10 e. DDPAZ failed to pay interest on two claims not paid within 30 days  
11 after receipt of an acceptable proof of loss. This resulted in the claim for file number  
12 OG-63 being underpaid by \$6.25. This amount has been paid.

13 f. DDPAZ failed on one claim, file number OG-131, to provide any  
14 evidence that a charge of \$92.00 for a service performed on February 17, 1999 for  
15 procedure code 4910 had been adjudicated. This amount plus interest at the rate of  
16 10% per annum has been paid.

### 17 18 **CONCLUSIONS OF LAW**

19 1. DDPAZ violated A.R.S. §20-2536(B) by failing to acknowledge a formal  
20 appeal within five business days of receipt.

21 2. DDPAZ violated A.R.S. §20-2536(E)(2) by failing to resolve a formal  
22 appeal for a denied claim within 60 calendar days of receipt of the request.

23 3. DDPAZ violated A.R.S. §20-2536(E)(2) by failing to provide the criteria  
24 used and clinical reason for the formal appeal decision in the written response.

25 4. DDPAZ violated A.R.S. §20-2536(G) by failing on a formal appeal to

1 advise the member in notice of denial of the option to proceed to an external  
2 independent review.

3 5. DDPAZ violated A.R.S. §20-2535(F) by failing on an informal  
4 reconsideration to advise the member in notice of denial of the option to proceed to an  
5 external independent review if the formal appeal is upheld.

6 6. DDPAZ violated A.A.C. R20-6-801(E)(1) and A.R.S. §20-461(A)(2) by  
7 failing to acknowledge the receipt of a claim within ten working days of notification of  
8 the claim.

9 7. DDPAZ violated A.A.C. R20-6-801(G)(1)(a) and A.R.S. §20-461(A)(5) by  
10 failing to notify the first party claimant of the acceptance or denial of the claim within 15  
11 working days after receipt of an acceptable proof of loss.

12 8. DDPAZ violated A.A.C. R20-6-801(G)(1)(b) and A.R.S. §20-461(A)(3) by  
13 failing to advise the first party claimant, within 15 working days after receipt of an  
14 acceptable proof of loss, of the reasons why more time was needed to determine if the  
15 claim would be accepted or denied.

16 9. DDPAZ violated A.A.C. R20-6-801(F) and A.R.S. §20-461(A)(3) by failing  
17 to complete the investigation of a claim within 30 days after notification of the claim.

18 10. DDPAZ violated A.R.S. §20-462(A) by failing to pay interest at the rate of  
19 ten per cent per annum, from the date the claim was received by the Company, on all  
20 claims not paid within 30 days after receipt of an acceptable proof of loss.

21 11. Grounds exist for the entry of the following Order in accordance with  
22 A.R.S. §§20-220 and 20-456.

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**ORDER**

**IT IS HEREBY ORDERED THAT:**

1. DDPAZ shall cease and desist from:

a. Failing to acknowledge a formal appeal within five business days of receipt.

b. Failing to resolve a formal appeal for a denied claim within 60 calendar days of receipt of the request.

c. Failing on a formal appeal to provide the criteria used and clinical reasons for the appeal decision in the written response.

d. Failing on a formal appeal to advise the member in notice of denial of the option to proceed to an external independent review.

e. Failing on an informal reconsideration to advise the member in notice of denial of the option to proceed to an external independent review if the formal appeal is upheld.

f. Failing to acknowledge the receipt of a claim within ten working days.

g. Failing to accept or deny claims within 15 working days after receipt of proof of loss.

h. Failing to advise the claimant, within 15 working days after receipt of proof of loss, of the reasons why more time is needed to determine if the claim would be accepted or denied.

i. Failing to complete investigation of a claim within 30 days after notification of the claim.

j. Failing to pay interest on claims not paid within 30 days after the receipt of an acceptable proof of loss.

2. Within 90 days of the filed date of this Order, DDPAZ shall submit to the

1 Arizona Department of Insurance, for approval, evidence that corrections have been  
2 implemented and communicated to the appropriate personnel regarding all of the items  
3 listed in Paragraph 1 of the Order section of this Consent Order. Evidence of  
4 corrective action and communication thereof includes, but is not limited to, memos,  
5 bulletins, E-mails, correspondence, procedures manuals, print screens, and training  
6 materials.

7 3. The Department shall be permitted, through authorized representatives, to  
8 verify that DDPAZ has complied with all provisions of this Order.

9 4. Delta Dental Plan of Arizona, Inc. shall pay a civil penalty of \$60,000 to the  
10 Director for deposit in the State General Fund in accordance with A.R.S. §20-220(B).  
11 The civil penalty shall be provided to the Market Conduct Examinations Section of the  
12 Department prior to the filing of this Order.

13 5. The Report of Examination of the Market Conduct Affairs of DDPAZ as of  
14 September 28, 2000, including the letter submitted in response to the Report of  
15 Examination, shall be filed with the Department after the Director has filed this Order.

16 DATED at Phoenix, Arizona this 4<sup>th</sup> day of September, 2001.

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19 Charles R. Cohen  
20 Director of Insurance  
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1 **CONSENT TO ORDER**

2 1. Delta Dental Plan of Arizona, Inc. has reviewed the foregoing Order.

3 2. Delta Dental Plan of Arizona, Inc. admits the jurisdiction of the Director of  
4 Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the  
5 entry of the Conclusions of Law and Order.

6 3. Delta Dental Plan of Arizona, Inc. is aware of the right to a hearing, at  
7 which it may be represented by counsel, present evidence and cross-examine  
8 witnesses. Delta Dental Plan of Arizona, Inc. irrevocably waives the right to such  
9 notice and hearing and to any court appeals related to this Order.

10 4. Delta Dental Plan of Arizona, Inc. states that no promise of any kind or  
11 nature whatsoever was made to it to induce it to enter into this Consent Order and that  
12 it has entered into this Consent Order voluntarily.

13 5. Delta Dental Plan of Arizona, Inc. acknowledges that the acceptance of  
14 this Order by the Director of the Arizona Department of Insurance is solely for the  
15 purpose of settling this matter and does not preclude any other agency or officer of this  
16 state or its subdivisions or any other person from instituting proceedings, whether civil,  
17 criminal, or administrative, as may be appropriate now or in the future.

18 6. Bernard Glossy, who holds the office of  
19 President & CEO of Delta Dental Plan of Arizona, Inc., is authorized to  
20 enter into this Order for it and on its behalf.

21  
22 **DELTA DENTAL PLAN OF ARIZONA, INC.**

23  
24 8/23/01  
25 **Date**

**By** 



1 COPY of the foregoing mailed/delivered  
2 this 12th day of September , 2001, to:

3 Sarah Begley

Deputy Director

4 Mary Butterfield

Assistant Director

5 Consumer Affairs Division

6 Paul J. Hogan

Chief Market Conduct Examiner

7 Market Conduct Examinations Section

Deloris E. Williamson

8 Assistant Director

Rates & Regulations Division

9 Steve Ferguson

Assistant Director

10 Financial Affairs Division

Alexandra Shafer

11 Assistant Director

12 Life and Health Division

Nancy Howse

13 Chief Financial Examiner

Terry L. Cooper

14 Fraud Unit Chief

15 DEPARTMENT OF INSURANCE

16 2910 North 44th Street, Second Floor

17 Phoenix, AZ 85018

18 Delta Dental Plan of Arizona, Inc.

19 Bernard Glossy, President

15648 North 35<sup>th</sup> Avenue, Suite 111

20 Phoenix, AZ 85023

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